GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1886
ANSWERED ON:24.08.2007
UTILISATION OF SERVICES OF POST OFFICE BY BANKS
Sugavanam Shri E.G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Indian banks proposes to use the services of post offices for banking purposes;

(b) if so, the- details thereof; and

(c) the time by which these services are likely to be provided through post offices?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) : Yes, Sir. Reserve Bank of India (RBI) has issued guidelines on 25th January, 2006 advising all scheduled commercial banks to use the services of Non-Governmental Organisations (NGOs), Self Help Groups (SHGsj, Micro Finance Institutions (MFIs), Post Offices and. other Central Statistical Organisation (CSOs) as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models.

In terms of the RBI guidelines, Post Offices, as Business Facilitators, could help in identification cf borrowers and activities, collection and preliminary processing of loan applications, creating awareness about saving and other products of the banks, processing and submission of loan application, post sanction monitoring etc. As a Business Correspondent, the Post Office, in addition to usual facilitation services, could also disburse small value credit, recover principal/interest due to banks, collect small value deposits, sell micro insurance/ mutual fund/pension/other third party products and receive and remit small value funds.

Further, Indian Banks` Association has advised member banks for a possible tie-up with India Pout for identifying and assisting rural beneificiaries through their vast network of Post Offices and their unique customer interaction. This initiative intends to help member banks to expand their credit deployment, increase profitability and contribute to rural development without incurring higher transaction cost and thereby achieving the rational policy on financial inclusion.

India Post has started tie-up arrangements and entered into Memorandum of Understanding with banks as per their specific requirement customizing the scheme.